

State of Alaska
FY2003 Governor's Operating Budget

Department of Transportation/Public Facilities
Ted Stevens Anchorage International Airport
Budget Request Unit Budget Summary

Ted Stevens Anchorage International Airport Budget Request Unit

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BRU Mission

The mission of the Ted Stevens Anchorage International Airport (AIA) is to safely, effectively, and efficiently operate and maintain the airport in a manner consistent with Federal regulatory requirements, high service standards, sensitivity to user needs, and awareness of community goals.

BRU Services Provided

- Snow and ice control on runways, taxiways, parking areas, and roadways.
- Repair and maintenance of all pavement areas, terminal buildings, parking garage, airport equipment, and other airport state-owned buildings
- Provision for fire fighting, emergency medical services, and law enforcement within the airport area.
- Traffic control on arrival and departure ramps.
- Physical and policy planning.
- Property management, financial management, and marketing to maximize revenues used to fund the costs of all TSAIA's services.

BRU Goals and Strategies

Anchorage International Airport is responsible for providing high quality airport facilities and services that meet the needs of the traveling public for domestic and international airlines on a 24 hour, 365 days per year basis in compliance with all applicable local, state, and federal regulations.

Implement a solid development program for terminal expansion and airfield operational requirements.

- Manage an airport with rapidly changing revenue sources in a cost efficient manner while still providing a safe, attractive, and clean facilities for the airport users.
- Comply effectively and cost efficiently to rapidly changing and more stringent regulatory requirements, especially Federal Aviation Administration regulations, state and federal environmental regulations, and the American with Disabilities Act regulations.
- Pursue increased international passenger and cargo service through Anchorage International Airport and new revenue sources.
- Develop long term use plans for airport land and facilities that maximize use of existing facilities to meet present and future needs.
- Analyze specific transitional needs and respond by effecting organizational or staffing changes.
- Continue close communications with general aviation and commercial tenants around the airport float plane lake areas as AIA transitions to greater enforcement of lease provisions and changes to historical operating practices.

Key BRU Issues for FY2002 – 2003

Analyze the organizational structure and modify if necessary to improve efficiency and service.

The Operating Agreement that establishes and defines the financial relationship between the airport and air carriers expired June 30, 2000. New agreements were executed with major air carriers at both international airports effective July 1, 2001. The agreement sets the methodology for calculating terminal rental rates, landing, docking fees, and other charges.

The attacks experienced on September 11, 2001 have had an extraordinary impact on the operations of airports across the nation. Federal Aviation Administration guidelines are changing on a daily basis, security demands are substantial, the public's view on air travel is changing, and airlines are attempting to cut their losses. As a result, Alaskan airports, as are all airports, are struggling to react to the operational and financial impacts of the situation.

Major BRU Accomplishments in 2001

- Successfully negotiated with Alaska Department of Environmental Conservation (ADEC) for a large Airside Risk Assessment Zone for the Terminal Redevelopment Project. An Airport wide risk zone approach for contaminated site cleanup continues to be pursued with ADEC to conduct cost effective remediation. This effort has the potential for high savings of approximately \$3-5 million for the ramp area alone.
- 13.4 billion pounds (all cargo landed weight) transited or transferred through AIA with current cargo landings 11-12% higher than this time last year per month.
- Key findings from the updated AIA's Economic Significance Report include:
 - 8,200 jobs at the Airport
 - \$400 million in annual payroll (roughly one in ten jobs in Anchorage)
- International cargo operations have created 1,000 new jobs and produce the largest percentage of airport jobs.
- Major marketing efforts contributed to additional Northwest Airlines Tokyo-Anchorage non-stop seasonal service.
- KLM cargo flights doubled service to Europe. American West added direct service to Phoenix, Arizona.
- Sponsored the extremely successful second annual "Top of the World" Air Cargo Conference" with the help of Alaska Economic Development Corporation to support and facilitate cargo industry executive plans for expansion at Anchorage International Airport (AIA).
- Replaced two aging network domain controllers with current generation servers able to take advantage of the 100MB LAN backbone speed to improve network connectivity for airport staff. Ordered additional 10/100MB ethernet switches to complete replacement of older 10MB ethernet hubs.
- ANC began participating in the Special Olympics "Toner Team" program. This benefits Special Olympics through the recycling toner cartridges.
- Developed a prototype "time clock" application using magnetic stripe card readers for Field & Equipment personnel.
- Testing will commence once additional network drops are installed in the shop areas and workstations are in place.

Key Performance Measures for FY2003

Measure:

Whether the department maintains the 100 percent pass level of annual federal airport certification inspections for response and safety standards set out in federal aviation regulations.

Sec 150(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

AIA received no major discrepancies and two minor problems were noted and corrected. Historically, AIA receives approximately 50 annual discrepancies and FIA receives less than three, including numerous minor deviations from FAA standards.

Benchmark Comparisons:

There is no established standard or quantitative measure for the FAA certification inspections. AIA attempts to provide the safest, most efficient service to airlines and the traveling public.

Background and Strategies:

The International Airports are inspected at least annually by the FAA to ensure safe and standard airfield operations and compliance with its FAR 139-certification requirements. These inspections cover a broad range of areas including Airport Rescue and Fire fighting (ARFF), safety, lighting, markings, runway incursions (interference with aircraft during takeoff and landing) and a number of other operating standards.

The Airports goal is to improve compliance with FAA's FAR 139 program. This can be achieved by the proper identification of deficiencies by maintenance, operations, and safety personnel. This information, in turn, must be detailed into a maintenance management program with all maintenance and training actions completed prior to annual inspections by the FAA.

These inspections note deficiencies for a broad range of inspection criteria and differ each year depending on FAA focus. Other areas that should be monitored are the existence of repeat discrepancies and attaining 100% correction

of deficient areas that do not require a CIP project.

Measure:

The annual increase or decrease, expressed as a percentage, in cargo landings at the international airports measured on a three-year rolling average.

Sec 150(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The department set a goal of a 5% annual increase in cargo growth over the three-year rolling average. The Ted Stevens Anchorage International Airport continues to experience a growing cargo business that is vital to the State of Alaska economy. Total Cargo landings for FY99 were #33,932; FY00 was #38,144 and FY01 is #39,790. FY 99 cargo landings remained constant over FY 98 due to the Asian economic crisis. We saw the landings bottom out and begin to increase in February 1999. FY 00 cargo landings vs. FY 99 landings showed a growth rate of 12.7%. 3 year rolling average for Anchorage showed a growth rate of 6.9%.

Benchmark Comparisons:

There are limited established or quantitative measures for evaluating cargo growth against other airports. Boeing World Air Cargo Forecast estimated overall growth in the air cargo industry to average 6.4% over the next 10 years. The International Air Transport Association which originally projected slightly lower growth rates, is updating their five-year projections in light of the September 11 attacks.

Background and Strategies:

Cargo growth at Anchorage continues to track upward with the world demand for air cargo. Alaska's unique position has made AIA a key player in the international cargo industry. Anchorage has historically been a transit stop between markets generally due to lack of range of the aircraft. We do not know what airlines might route more flights here depending upon the situation in the Middle East.

As the world air cargo market continues to expand and the range of the aircraft grows, the key strategy for Anchorage remains to convert existing transit stops to value-added stops. With the advent of two more of our international carriers beginning transfer operations recently, 57% of our international carriers now provide some value-added service while on the ground, either in terms of transloading or enplaning and deplaning freight. This strategy of anchoring these airlines allows us to retain our current level of business, work to expand the services offered by our current carriers and continually attract new carriers to the ever-growing marketplace.

The international airports have some strategic advantages as an international cargo stopover based simply on geographic location. However, air carriers make decisions on such stops based on a number of reasons, some of which are within the airport's control, and others which are not. The high level of international cargo activity at both the Anchorage and Fairbanks international airports results in a fairly low landing fee by industry standards. However, a reliable source of reasonably priced fuel is an equally important factor. Fortunately, that condition also exists at both Anchorage and Fairbanks and has resulted in continuing to attract and retain international cargo activity.

Measure:

Whether the department completes the Gateway Alaska Terminal Redevelopment Project by September 1, 2004.

Sec 150(b)(6) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Gateway Alaska Terminal Redevelopment Project is anticipated to be completed by September 1, 2004 at this time.

Benchmark Comparisons:

none

Background and Strategies:

The Gateway Alaska Terminal Redevelopment Project is dedicated to completing the project as planned.

**Ted Stevens Anchorage International Airport
BRU Financial Summary by Component**

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula Expenditures</u>	None.											
<u>Non-Formula Expenditures</u>												
AIA Administration	0.0	0.0	0.0	0.0	0.0	0.0	6,313.0	6,313.0	0.0	0.0	6,574.1	6,574.1
AIA Facilities	0.0	0.0	0.0	0.0	0.0	0.0	9,674.3	9,674.3	0.0	0.0	10,264.8	10,264.8
AIA Field & Equipment Maint	0.0	0.0	0.0	0.0	0.0	0.0	8,727.5	8,727.5	0.0	0.0	9,073.1	9,073.1
AIA Operations	0.0	0.0	0.0	0.0	0.0	0.0	2,167.6	2,167.6	0.0	0.0	2,205.4	2,205.4
AIA Safety	0.0	0.0	0.0	0.0	0.0	0.0	5,907.3	5,907.3	0.0	100.0	6,109.4	6,209.4
Totals	0.0	0.0	0.0	0.0	0.0	0.0	32,789.7	32,789.7	0.0	100.0	34,226.8	34,326.8

Ted Stevens Anchorage International Airport
Proposed Changes in Levels of Service for FY2003

No service changes.

Ted Stevens Anchorage International Airport
Summary of BRU Budget Changes by Component
From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	32,789.7	32,789.7
Adjustments which will continue current level of service:				
-AIA Administration	0.0	0.0	11.1	11.1
-AIA Facilities	0.0	0.0	180.5	180.5
-AIA Field & Equipment Maint	0.0	0.0	216.4	216.4
-AIA Operations	0.0	0.0	37.8	37.8
-AIA Safety	0.0	0.0	202.1	202.1
Proposed budget increases:				
-AIA Administration	0.0	0.0	250.0	250.0
-AIA Facilities	0.0	0.0	410.0	410.0
-AIA Field & Equipment Maint	0.0	0.0	129.2	129.2
-AIA Safety	0.0	100.0	0.0	100.0
FY2003 Governor	0.0	100.0	34,226.8	34,326.8